



CROMWELL
PROPERTY GROUP

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Tuesday 7 May 2019

ASX Market Announcements Office
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Cromwell Property Group (ASX:CMW)

In accordance with ASX Listing Rule 3.17.1, attached is a copy of a letter sent to holders of Cromwell Property Group stapled securities.

Yours faithfully

CROMWELL PROPERTY GROUP

LUCY LAAKSO
COMPANY SECRETARY



7 May 2019

Dear Securityholder,

CROMWELL BUSINESS UPDATE MAY 2019

It has been three months since my last update at our half-yearly results in February. A lot has happened since then and, given that you may have seen Cromwell mentioned in the media recently, I thought I would update you on our current position in the different geographies in which we operate.

Last August, we commenced our 'Invest to Manage' strategy. The strategy, approved by the Cromwell Board, sees Cromwell continue its successful value-add and asset recycling initiatives, and use existing investment capacity, the proceeds from recycling and some cash from operating earnings to invest in opportunities that create new recurring revenue. The strategy is designed to build enterprise value, add to medium-term earnings and generate higher total securityholder return.

Australia

Within our direct property business segment a Development Approval (DA) was received after the results presentation for a \$75 million value-add opportunity at Victoria Avenue, Chatswood. The DA covers a new 157-room hotel with associated conference, guest, restaurant and other amenities plus a new office building of 2,800 sqm. We expect work to start on the opportunity later this year.

In the next couple of months, we also expect to submit a DA for a mixed-use development at 700 Collins Street in Melbourne. It is likely to consist of 13,000 sqm of additional office space, a hotel with 182 rooms, plus consideration is being given to an independent living/build-to-rent opportunity.

There have also been several successful leasing outcomes in Sydney over the last few months with nearly 10,000 sqm being leased or renewed across our multi-tenanted assets at Kent Street, Northpoint and Chatswood. It is pleasing to note that tenant demand remains strong in Sydney.

The conversion of Tuggeranong Office Park to a 500-resident Seniors Living village, through our Joint Venture, LDK Healthcare (LDK), continues and the first sales suite is open with residents due to move in at the end of the year. LDK has also taken management control of 'The Landings at Turrumurra' and is on course for over 800 residents in the two villages by the end of 2020. This is a theme which we believe has the possibility of creating a strong, new recurring revenue stream for the business.

United Kingdom (UK)

In the UK, Cromwell engaged in preliminary confidential discussions with RDI REIT P.L.C. which were subsequently leaked to the media. Following a short period of due diligence, a conditional proposal was submitted subject to a short extension and RDI Board approval. This was not forthcoming, and pursuant to Rule 2.8 of the UK's City Code on Takeovers and Mergers, we confirmed our subsequent intention not to make an offer within the proscribed timeframe. Despite this outcome, Cromwell remains committed to pursuing accretive opportunities that can contribute to the 'Invest to Manage' strategy.

Europe

Elsewhere in Europe, Cromwell acquired the 21,688 sqm Pirelli Tyre Research & Development Facility in Milan, Italy on behalf of a new Korean capital partner. The asset was acquired for €88 million. Cromwell is subsequently investigating a range of other opportunities with this capital partner, and others, in a few different European countries.

Overall, we continue to see high transactional volumes as funds sourced before Cromwell's acquisition of the platform reach their natural end date. This process has already been reflected in the business's goodwill which has been written down even as Cromwell has successfully recycled some of these into new funds. Approximately 50% of funds under management (FUM) in the business is now of a longer dated nature and we are confident this will create substantial value going forward.

Singapore

In Singapore, the Cromwell European REIT (CEREIT) had its first annual general meeting last week. Looking back on this milestone, I'm proud of the journey of the CEREIT team. The IPO was a difficult exercise at the time, being an innovative product, launched in volatile equity market conditions.

The CEREIT IPO took two attempts and I'm delighted to note that our belief in the strategy, as well as perseverance and hard work has paid off. Cromwell's 35% stake, is currently worth more than \$400 million. It is turning out to be an excellent investment for both Cromwell and CEREIT securityholders.

Response to media speculation

Finally, I would like to comment on media speculation that ARA Asset Management (ARA) will make an offer for Cromwell. As previously disclosed on 2 May 2019 Cromwell has not received an offer. I cannot speak for ARA's intentions but note ARA's public support, particularly ARA Chairman John Lim's statement that ARA has invested in Cromwell, in part, for its 'strategy, platform and strong corporate governance.'

The Cromwell Board and Executive, and indeed the broader Cromwell team, remain steadfast in living up to this accolade and continuing their 20-year track record of exemplary corporate governance.

ARA recently acquired a small number of securities which we believe has increased its holding in Cromwell to 20.09%. ARA has also requested a copy of Cromwell's securityholder register, which, as required by the *Corporations Act 2001* (Cth) Cromwell has provided to ARA today, 7 May 2019.

If you are to receive any unsolicited communication from ARA we encourage you to treat it with circumspection. ARA may have its own agenda, which might not be consistent with the best interests of all Cromwell securityholders. I can assure you that the Cromwell Board, Executive and broader Cromwell team remain fully committed to serving the best interests of all Cromwell securityholders, equally, as well other key stakeholders.

On behalf of the Cromwell Board and Executive team I appreciate your ongoing support.

Yours sincerely

Paul Weightman
CEO
Cromwell Property Group